



Office of Mayor Betsy Hodges

350 S. Fifth St. - Room 331

Minneapolis, MN 55415

TEL 612.673.2100

www.minneapolismn.gov

March 22, 2016

President Wielinski
2117 West River Road
Minneapolis, MN 55411-2227

President Wielinski,

I continue to support capital improvements to our parks. Furthermore, I have said that I am open as to the mechanisms used to provide such funding. Any plan must be based in sound, long-term, sustainable fiscal policy. Achieving that will require full, open, public deliberations. Any less would do a disservice to our parks and to Minneapolis taxpayers.

As I have said, the need is real. Both our parks and our city streets suffer from an infrastructure deficit. Large cuts in state funding, unnecessarily large pension costs prior to the 2011 reforms, and other factors have led to years of underinvestment in both our parks and our streets. The need to keep cops on the streets, firefighters on the job, and park centers open led to prioritizing operations over capital. None of us welcomed those bleak choices, but it was crucial that we had the flexibility to preserve essential services.

As a result of those choices, we must reinvest in both parks and streets. I expect the Park Board to advocate for parks. But, given our broader mandate, the Mayor and the City Council must take a broader view. We cannot view funding for parks in a vacuum. We must balance the genuine need for park capital with all others under our purview, including our property tax levy, public safety, economic development, equity, and streets.

It is my sincere hope that we can move forward together on a responsible solution that provides real, reliable, and certain funding for a 21st century neighborhood park system. The action before me would not meet those ends. It provides neither real, nor reliable, nor certain funding, and it provides neither the time nor the transparency needed to ensure a lasting agreement. It is with disappointment that I must veto Resolution 2016-148 for several reasons.

FUNDING SOURCES

To this point no clear accounting of proposed funding sources has been provided to me, to our CFO, to the City Council, or to the public. Sources alluded to in the discussion at the City Council Committee of the Whole on March 16th included anticipated savings due to unexpectedly positive performance of the state's pension fund investments, existing or anticipated fund balances from under-projected non-property tax revenues and/or underspending by City departments, potential tax capacity from the anticipated decertification of some TIF districts, savings from the State's recent decision to take on a portion of the City's remaining debt obligation to the 2001 library referendum, and the elimination of unidentified capital projects. While some of the sources cited may eventually result in real money, it is clear to me that as a package, this list presents more questions than answers.

First, while the better-than-expected performance of the State's pension fund during a bull market is good news, and Minneapolis should benefit from that windfall, there are two reasons why it would be unwise to rely on anticipated pension savings to pay for parks capital. First, Minneapolis does not control the disposition of any windfall funds. This money has been an explicit target of some legislators as recently as 2015. Even if the City did receive the benefit to which we are entitled this year, there is no certainty that the State would continue to meet that commitment in future years. In addition, we know well that pension funding and uncertainty go hand in hand. It may be that state pension fund investments continue to do well. However we should not step lightly into a twenty-year commitment that relies on both speculation that the market will remain strong and that hypothetical benefits from that strong market will continue to accrue to Minneapolis. We must be especially vigilant to hold firm to sound, responsible fiscal principles in good economic times.

Second, the 2016 Budget I proposed and the City Council adopted included a full accounting of existing and anticipated year-end fund balances for 2016. In addition, it changed the assumptions the City makes about expected non-property tax revenues. These revenues had rightly been estimated conservatively in the contracting economy,

and thus had been higher than anticipated during the recent recovery. The 2016 Budget corrected for the current economic recovery, and we should not expect to see fund balances in the future. In addition, we adjusted department appropriations to match actual spending. Thus, any parks funding plan that relies on the expectation that there will be future fund balances is not based on the reality of current revenues and expenditures.

Third, while there may be tax capacity freed for general use by the decertification of some TIF districts, the public has been provided no information as to the amount of potential capacity, nor the impact of such a decision on the property tax levy. It would be irresponsible to commit such potential funding without a full understanding of the levy implications and an accounting of the trade-offs spending such funding on parks would necessitate with other core services.

Fourth, while it is clear that the City's declining obligation to debt service for the library capital referendum is already accounted for in the 5-Year Financial Direction, we have yet to account for the State's commitment to take on a portion of that remaining debt. While I do not object to the idea that this funding could be part of a Parks funding agreement, we should be deliberate about understanding the impact of such a decision on the levy and other commitments.

Fifth, I have been a proponent of taking a hard look at aligning our funding commitments to our ability to get projects done. In recent years, I have focused on adjusting appropriations in areas where City departments have accumulated significant fund balances over multiple years. For example, in the 2015 budget, I declined to recommend additional capital appropriation for Art in Public Places, my clear support for that program notwithstanding, because the program had accumulated a fund balance that exceeded its ability to get projects out the door. I did this to ensure that the City did not tie up appropriations, and thus the property tax levy that supports them, on projects that are not getting done. However, a decision now to use a reported \$49 million worth of approved capital projects that have yet to have bonds issued, without a clear accounting of what those projects are, the status of those projects, our commitment (or lack thereof) to completing those projects, and the relative cost to the community of foregoing those projects would lack transparency and accountability. We have to do the work before we make the decision.

It is our responsibility to taxpayers of Minneapolis to ensure that we are not making promises we cannot keep. Despite my questions about sources of funding for the plan before me today, I am committed to continuing to doing the necessary and difficult work, in cooperation with you and with the City Council, to find a real, reliable, certain solution to our shared vision for parks.

PROCESS

The proposal before me for signature was unveiled to the public the morning of Wednesday, March 16th. It was voted on by the Minneapolis Park and Recreation Board that evening and reached my desk on Thursday morning, less than 24 hours after it became public. I am concerned that the lack of public notice and hurried timeline reflects the fact that there is currently no real money identified to pay for this proposal.

You propose adoption of this proposal, which would commit taxpayers to 20 years of funding, by April 15th, within six weeks of its initial publication. The request comes with no acknowledgment that these significant questions about the sources of funding remain unaddressed, with uncertain impact on the property tax levy and on other known core priorities, and insufficient clarity for the public on how funds might be spent or the process through which those decisions may be made.

I expect the Board will override this veto, as it did my veto of the January resolution related to proposed referendum language. However, as I emphasized then, I am committed to working in cooperation with you, the Park Board, and the City Council to find a real solution to reinvest in our parks and our streets. My door remains open.

Sincerely,

Mayor Betsy Hodges
City of Minneapolis